

Meeting of the Board of Directors of the Neptune House Owners Association

July 16, 2021

The Board of Directors (the "Board") of the Neptune House Owners Association (the "Association") met telephonically by conference call at 7:30 a.m. on Friday, July 16, 2021. Members Jeff Anliker, Cheryl Moore, Mark Morrissette and Phil Totino were in attendance (Member Douglas Carnahan was unable to attend). Also in attendance were Secretary Chris Lindgren, Resort Manager Samantha Disotell and Mike McManus of VRI Americas (VRI).

Administrative Items

Upon motion duly made and seconded, the Board voted to approve the minutes of its meeting on June 15, 2021, as circulated in advance to the Board members.

Mike McManus described meeting arrangements available at the Hilton Mystic. In accordance with scheduling an in-person meeting once every three years, the Board then agreed to hold the 2022 Owners Meeting in person on March 26, 2022 in Mystic, Connecticut at the Hilton Mystic (with livestreaming over the internet). In order to better estimate the number of prospective attendees, owners will be asked to RSVP to attend the meeting in person.

Resort Management

President Phil Totino reviewed the status of projects on the resort's Repair and Maintenance Project List and projects scheduled for completion in 2021 and 2022 on the resort's Five-Year Property Improvement Plan. Mike agreed to arrange for an independent firm to inspect the sewer line by Building A, to determine the need to replace that line after the resort closes in the fall. Regarding other items, (a) Resort Manager Samantha Disotell reported that the Building A and Building B oil tanks would not need to be replaced in the near future, (b) the Board asked that Mike and Samantha investigate leasing – rather than purchasing – a truck to replace the resort's existing vehicles that are no longer road-worthy, given the cost of used trucks, and (c) the Board decided to add rebuilding the entry stairs to Building A in 2023 to the Five-Year Property Improvement Plan.

Mike and Samantha agreed to investigate cost savings from adding solar panels to the roof of Building B in connection with the scheduled 2024 roof replacement.

Financial Management

Phil addressed the May 31, 2021 financial report as distributed in advance of the meeting, and the accompanying variance report regarding revenues and expenses. Phil indicated that operating revenue and expenses continued to be favorable to budget.

Phil reviewed payments to date, noting that 96.8% of 2021 maintenance fees – comparable with prior years – had been paid by July 1.

Phil observed that, including deedbacks in process, the resort owned 127 shares in the 30-week resort season as of July 2, 2021 (six less than at December 31, 2020).

Mike indicated that, going forward, the cost of an independent financial audit is estimated to be \$8,000 annually, whereas the cost of an independent financial review is estimated to be \$5,000 annually. Mike indicated that similar timeshare resorts typically engage financial reviews, with full audits conducted only at five year intervals. The Board then decided to conduct a full financial audit every three years, with the next full audit to occur in 2024, and to instead (a) in the 2022 year engage a financial review

plus, separately, update the reserve study last conducted in 2016, and (b) in the 2023 year engage a financial review plus, separately, obtain a new appraisal of the resort for insurance purposes.

Phil reviewed preliminary budget guidance for 2022, presuming an operating expense increase of 2.5% over 2021 and a maintenance fee increase of slightly less than 4%. This would result in a substantial operating deficit in 2022 that would persist in subsequent years. To be in compliance with good business practice, Phil asked that Mike and Samantha prepare a balanced 2022 operating budget for review at the Board's August 13, 2021 meeting.

The Board discussed revising the resort's Assessment Billing and Collection Policy to provide that use weeks resulting from delinquencies would be available starting March 1, rather than February 1, for rental through the VRI system, in order to provide additional time to resolve delinquencies before putting those weeks in the rental program. The Board agreed to review and vote on that change at its August 13, 2021 meeting.

Sales and Marketing

Director Jeff Anliker reported on the activities of the Marketing Committee. He indicated that the resort's ad was included in the July SO Rhode Island Summer magazine, and that another video would be released soon.

Phil reviewed social media metrics, spring rental revenue, and fall rental reservations to date.

Communications

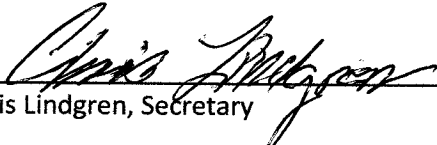
Phil discussed the initial draft of the September newsletter to be sent to owners, and indicated that a final version incorporating changes requested by members of the Board would be reviewed at the Board's August 13, 2021 meeting.

Executive Session

Samantha Disotell and Mike McManus left the meeting. The Board members then met in executive session with Secretary Chris Lindgren present.

Following the executive session, upon motion duly made and seconded, the Board voted to adjourn the meeting at 9:33 a.m.

Respectfully submitted


Chris Lindgren, Secretary